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**Town Meeting**

APRIL 17, 1947



BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

BROADCAST BY STATIONS OF THE AMERICAN BROADCASTING CO.



## **Are Cooperatives a Threat to Private Enterprise?**

*Moderator,* **GEORGE V. DENNY, JR.**

### *Speakers*

**WILLIAM S. HILL  
RIVERS PETERSON**

**JERRY VOORHIS  
M. W. THATCHER**

*(See also page 12)*

### **COMING**

—April 24, 1947—

**Does Our New Foreign Policy Lead to Peace  
or War?**

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### THE BROADCAST OF APRIL 24:

#### "Does Our New Foreign Policy Lead to Peace or War?"

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BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

GEORGE V. DENNY, JR., MODERATOR



APRIL 17, 1947

VOL. 12, No. 51

## Are Cooperatives a Threat to Private Enterprise?

### Moderator Denny:

Good evening, neighbors. Well, I'm sure that all of us here on this platform are very happy to be the guests of the Tulsa Town Hall here in the Oil Capital of the world.

We used to consider Tulsa about as far away from both coasts as possible, but yesterday Mrs. Denny and I flew in from New York on the *American Mercury* in 5 hours and 40 minutes. Not quite as fast as Milton's *Bombshell*, but this modern covered wagon is one of the things that has helped to make Tulsa and the whole state of Oklahoma one of the most prosperous areas in the Nation.

It was not so long ago when the Great Plains of the United States were being settled that a man with an axe, a plow and gun was almost as independent and self-sustaining as the Indians who roamed the plains before him, or a cave man of prehistoric days. Our society has grown very complex in the

past hundred years. The late Lord Staff, one of Britain's greatest economists, used to describe it as the impact of science on society. This is a \$50 phrase which means simply the problems we face living together with the machines we've created.

All of us listening tonight feel these problems in our bones, and the big question is, "How can we use our great knowledge in the field of science, our inventive genius with tools and machines, and our tremendous ability to produce the things we want for the benefit, rather than the destruction, of mankind?"

Most of us are producers and all of us are consumers. We're in the curious position now, with the aid of our scientific knowledge and machines, of being able to produce far more than we can use as consumers, because we can't seem to work out among ourselves a satisfactory system of distribution.



Men and nations have fought bitter wars over the question. We're witnessing in this country now the beginning of another big battle in this area, which we're likely to hear a great deal more about in the future. It's a battle between the cooperatives and their opponents, headed by an organization called the National Tax Equality Association.

So that we may understand just what we're talking about, Mr. Voorhis as executive secretary of the Cooperative League of the United States, will you tell us briefly just what a cooperative is and what it does?

**Mr. Voorhis:** Well, Mr. Denny, a cooperative is a form of private business in which the people whose patronage makes the business possible own it, control its policies, and share its benefits.

Suppose you people here in this Tulsa audience, or you folks listening on the radio in your communities, formed a cooperative by each paying \$25 for your membership and a share of stock. Suppose you set up a filling station and purchased your gasoline from it. Your cooperative would sell to you at the going market price.

Whatever savings, earnings, or profits remained at the end of the year would be distributed among you as consumer-owners of this cooperative gas station in proportion to the volume of your purchases.

A filling station across the street might belong to a major oil company. Its profits would be distributed not to the people whose business has made that profit possible, but to those who own the major oil company's stock.

In the case of the cooperative, the savings and earning margins would remain right in your home community. In the case of the major oil company's station, the profit would, in large part, go to people in New York, Miami, or Bar Harbor, in proportion to their investment.

#### **Moderator Denny:**

Thank you, Mr. Voorhis. Now, Mr. Peterson, I understand that the National Tax Equality Association is not opposed to everything about cooperatives, but has a particular quarrel with them on account of their tax status. Without getting into the argument at this point—we'll hear about that in just a moment—will you tell us, as a matter of fact, in just what respect the tax status of a cooperative differs from the tax status of a private corporation. Mr. Peterson.

**Mr. Peterson:** Thank you, Mr. Denny. I can't resist saying that I'm awful glad that ex-Congressman Voorhis admitted that the co-op filling station is going to get the same original price as his private competitor. I don't agree with him that all the stockholders in this private corporation are lo-

cated either in New York or Miami. There might be some of them in Tulsa.

A private corporation pays full income taxes on its entire income before any distribution is made. A cooperative corporation, on the other hand, pays little or no federal income tax.

For example, Mr. Thatcher's corporation made \$3,650,000 last year. It paid no income tax—federal. A taxpaying corporation making this profit would have paid \$1,387,000, approximately, toward the support of the Federal Government. That's what this whole fight is about.

**Moderator Denny:**

Thank you, Mr. Peterson. Well, that clears the air for the battle, so let's hear first from the Congressman from Colorado, who feels that cooperatives are definitely a threat to private business. I present Congressman William S. Hill, Republican of Colorado. Congressman Hill. (*Applause.*)

**Congressman Hill:**

Mr. Denny, I know something about farm cooperatives and farmers, firsthand. I was raised on a farm, proved up on a homestead, and I have been a member myself of several farm cooperatives as my friend, Jerry Voorhis, well knows. In my association with the Colorado State Agricultural College, I assisted in organizing farm co-ops.

Many farm co-ops are performing commendable services and with

them we have no quarrel. Knowing farmers as I do, I am convinced that they believe in fair play and that they are willing to bear their share of the tax burden.

Under radical leadership, tax privileges, monopolistic practices, and sponsorship of a paternalistic government, cooperatives definitely could become a destructive force which would not only destroy private business, but the whole plan of free enterprise and finally representative form of government itself.

Farmers do not believe in socialism, planned economy, destruction of the profit motive, nor overthrow of individualism and free enterprise.

Are the socialistic cooperative leaders leading the co-op movement astray?

What are the plans of these leaders?

Well, Charles Egley, former manager of the Farmers' Union Livestock Commission Company stated, "We must get rid of the profit system."

Where have you heard that philosophy before? I'll give you one guess.

Recently an Ohio newspaper had this to say about Murray Lincoln, president of the Cooperative League of the U.S.A.: "Lincoln urged that cooperatives be prepared to assume control in management of the Nation's business



and agriculture in the coming revolution."

Reading between the lines it is easy to see that the Federal Government under cooperative plans will be distributing power on exactly the same basis as in socialistic and communistic Europe.

Are farmers of America going to follow or support such a program? James Patton, president of the National Farmers' Union said, "The union will spread its marketing operations until goods flow direct from producer to consumer, completely eliminating intermediate charges and profits."

Jerry, if you and Mr. Thatcher do not approve these statements of your associates in this cooperative movement, I charge you, here and now before these millions of people now listening to this program, to deny them.

The statement of these cooperative leaders distinctly show the general plan which would lead to a cooperative commonwealth, a socialistic communal society directly controlled at the top, which in plain English is totalitarianism.

Is America ready to accept these foreign ideologies? Can anyone deny this philosophy threatens the very existence of private enterprise and representative government? Jerry Voorhis, can you seriously deny that statement?

Why, the countries of the old world which have spawned and spewed socialistic cooperatives are

bankrupt, starving, and many without a stable form of government. Yet, to whom are they turning for succor and assistance? To this country, where free enterprise and the profit system have given the highest standard of living ever known in the history of the human race.

How could you develop a Henry Ford, an Eli Whitney, a Cyrus McCormick, a Thomas Edison, a Franklin, a Howe, a Bell, a Westinghouse, except under the economic system and representative form of government of this country?

Mr. Businessman, I warn you that co-ops are no more "little, struggling, helpless businesses." Last year they did a volume of business estimated at twelve billion dollars, and it is reasonable to assume that it will reach twenty-five billion by 1950.

The entire profit of that gigantic business pays little or no federal income tax. My colleague, Mr. Peterson, will tell you all about that in a moment.

Jerry, do you and Mr. Thatcher believe that one business segment of our country should pay high taxes to support its competitors? How can anyone doubt the bold, cold statement that cooperatives threaten the actual existence of the small businessman, free enterprise system, and representative government, when they speak of the rev-

olution and the advent of a new social order?

When you find hundreds of thousands of small retailers, wholesalers, and other business enterprises being crushed out of existence by this new order, you'll have your revolution. Communism will be on the march. Red fascism will have arrived and representative government will have become a farce and a delusion.

These are harsh words, Mr. Moderator, but I warn you that these are critical times, and this great Nation of ours, with its liberty-loving people, can be saved only by maintaining, supporting, and advocating at all times, equality before the law, fair play, and justice for all. (*Applause.*)

**Moderator Denny:**

Thank you, Congressman Hill. Them's fightin' words. Now, we're going to hear from a man who is thoroughly accustomed to this kind of debate, one who earned for himself the title of being the "hardest-working Congressman in Washington," and who is now executive secretary of the Cooperative League of the United States, ex-Congressman Jerry Voorhis. (*Applause.*)

**Congressman Voorhis:**

Congressman Hill, you base your intemperate attack on co-operatives on three statements: the first by a man no longer con-

nected with cooperatives in any way whatsoever; the second, by the president of a general farm organization, not a cooperative, who says he wants to narrow the spread between farmers and consumers—a thing which every student of agricultural problems agrees ought to be done—and, third, on a misquotation of a misquotation by a newspaper of Mr. Murray Lincoln.

What Mr. Murray Lincoln actually said, and I quote directly, is this: "We must be strong enough to offer America an alternative to either state control or an even more fearful form of European totalitarianism."

You see, Congressman Hill, every responsible cooperative leader knows that cooperation is the very opposite of communism, the road away from state control, the people's way of preventing these things. That's why we believe in co-ops.

Co-ops are controlled from the very bottom, not from the top. We know it is the people's chance to share in private enterprise, and we want them to have it.

So the wording of the question tonight, Mr. Denny, is deceptive and untrue. Cooperatives are private business at its best.

Is it good private business, Mr. Hill, when New York investment bankers buy up whole metallurgical industries, or when the major oil companies stifle competition and even dictate the Government's oil policy?



Along come the oil co-ops, restore business-ownership to thousands of people, restore competition, save consumers twenty per cent. I submit that that's better private business.

Because co-op business belongs to its patrons, co-op businesses have assured markets. Co-ops, alone, have broken monopoly strangleholds in feed, fertilizer, insurance, credit, oil, farm marketing facilities, and farm supplies.

Co-ops may one day stand between American consumers and a monopoly of merchandising by three or four great chains and mail order houses.

Monopoly is the death of true private business.

It is the father of monopoly government. When co-ops break monopoly they save private business.

The owner-operated farm is the very root soil of America's social structure. Cooperation saves family farms by giving agriculture back its income. It enables farmers to own marketing facilities, processing and distribution facilities, and to regain their economic independence.

Is that communism, Congressman Hill?

If a man from Chicago comes to Kansas or to Colorado and builds a grain elevator and pipes the farmer's storage charges back to Chicago, that's one kind of private business.

If those same farmers form a co-op, build the elevator, pay the overcharges above cost back into their own buying power and their own rural community, that's better private business and is the very opposite of communism.

Co-ops work directly against economic collapse and unemployment, and smooth out the business cycle. Co-ops pay a limited return on capital, prevent hoards of idle money piling up as they did in 1929.

Instead, co-ops return to their customer-owners the earnings resulting from their purchases. Thus co-ops increase buying power at the grass roots.

If a housewife spends \$400 a year for household supplies at her co-op and receives a five per cent patronage refund, her family can spend that \$20 on some new clothes, dishes, or what-not.

To the extent of their influences, co-ops expand the market and prevent business depressions.

Co-ops distribute buying power to support all the rest of the business of this Nation. Isn't that the biggest help that private business could have?

Co-ops aim only to restore economic health to our country. Co-op insurance companies have brought premium rates down to life size. They recently reduced the interest on their loans to four per cent. Result: other insurance companies did likewise and con-



tinued to make money. Low interest helps private business.

Our objective is enough co-op competition in each line to hold all business to full production of honest quality at fair prices. Every good businessman believes in those principles.

Cooperatives develop people. Four million hard-working Americans today pool their savings in credit unions, learn thrift, keep members solvent, lend money to themselves, save homes and families from bankruptcy. The people's money for the people's benefit by the people's effort. Is this good or bad?

Cooperative membership is open to all. Every co-op member owns a share in a private business. Co-ops restore ownership, responsibility, self-reliance to millions of people.

Co-ops demonstrate what it means to work out your own problems with your neighbors, instead of depending on the Government. The more people who own their own businesses, the fewer will want or need government business.

Cooperatives are the best single bulwark our country has against communism or fascism, because co-ops enable people to master their own destiny and teach them meanwhile that the Christian principle "love thy neighbor" is the answer to our everyday problems. *(Applause.)*

### **Moderator Denny:**

Thank you, Mr. Voorhis. Let's hear the arguments of the other side of the case from Mr. Rivers Peterson, managing director of the National Retail Hardware Association of America, born in Alabama, whose home now is in beautiful Indiana. Mr. Rivers Peterson. *(Applause.)*

### **Mr. Peterson:**

Mr. Moderator, ladies and gentlemen. Congressman Hill, out of his experience as a member of several co-ops, one of which he helped to organize, has pointed out how the ideology of co-ops constitutes a menace to private business.

Ex-Congressman Voorhis claims co-ops are private business. If so, they are private business with special privileges, and ex-Congressman Voorhis apparently doesn't consider that you people in Tulsa are in business at all—everybody he talks about that is organized in the firms out here, lives in Chicago, or Miami, or New York. I don't get it.

There are some other things in your presentation, ex-Congressman, that I would like to have the opportunity to talk about later.

Cooperatives are a threat to private business because of their nonpayment of federal income taxes. Cooperatives do more than twelve billion dollars a year in sales. They are engaged in production, wholesaling, and retail-

ing. They escape payment of income taxes on all three of these levels. With the high tax rates that exist today, this gives the cooperatives an advantage over private business which threatens its existence.

Cooperatives are likewise a threat to all other taxpayers, because you have to pay not only your own taxes but also you have to make up for the taxes which the cooperative should pay but doesn't.

Everyone of you in this audience and listening in on the air should write your Congressman and tell him to see to it that cooperatives pay their share of federal income taxes. (Applause.)

Mr. Thatcher will probably claim that co-ops can't pay income taxes because they don't make any profits. He may say the excess of the income over the outgo is just a case of the patrons paying too much in the first place and this is returned to them and is not profits.

Now cooperatives are granted exemption from the payment of federal income taxes by section 101-12, of the Internal Revenue Code. If co-ops don't make any profit, this exemption is not needed. I wonder if ex-Congressman Voorhis and Mr. Thatcher will agree to join us in asking Congress to repeal that section, and I know darn well they won't. (Laughter.)

Co-ops make claims like this of not making any profit and then refute them by their own actions. For example, according to the *Minneapolis Tribune*, the Midland Co-operative Wholesale of that city had sales of nearly 16 million dollars in 1946 on which it made nearly \$700,000 profit. Of this \$408,000 was made out in patronage refunds—not in cash but in stock. I don't know how you increase purchasing power of a farmer by giving him a piece of paper. This left \$214,00 on which this co-op paid \$90,000 of income taxes because it doesn't operate under the government exemption.

So while we have co-op proponents claiming, on the one hand, that they don't make any profits to be taxed, we have a co-operative paying income tax on at least part of its earnings. The two things don't make sense.

Another co-op claim is that the co-operative corporation can't pay income taxes because it doesn't own anything. It serves, they say, as a sort of a trustee for the patrons and the patrons own everything, and the co-op corporation itself owns nothing.

In 1943, Mr. Thatcher's Farmers' Union Grain Terminal Association bought the St. Anthony and Dakota Elevator Company. That took this corporation off the tax-paying list and made it tax exempt and that was that much more taxes that you had to pay.



Then the Farmer's Union organized another co-op called the Farmer's Lumber and Supply Company. At the end of its first fiscal year, one of its patrons received a letter that read in part as follows: "The net savings of the Farmer's Lumber and Supply Company for the period May, 1943 to 1944 were \$225,000. In accordance with the by-laws of the corporation, the Board of Directors ordered the following distribution: 10 per cent or \$22,500 was set aside as a reserve for permanent surplus."

Now my question is: Who owns that permanent surplus which was started with \$22,500 if the corporation doesn't? How can co-op corporations issue and sell preferred stock or common stock if the corporation owns nothing?

Co-ops like to brag, and you're going to hear it tonight, that they pay all taxes except federal income. If they don't own anything, why do they pay any taxes? It's silly, isn't it? (*Laughter.*)

Co-ops don't need this federal tax exemption. They have ample ability to pay. Mr. Thatcher's G.T.A. started in June, 1938, with the capital of \$30,000. By May, 1946, eight years following, its capitalization had increased to more than \$10,500,000. The Consumer's Cooperative Association of Kansas City began business in— am I through, Mr. Denny?

**Moderator Denny:**

You're just about a half a minute over, Mr. Peterson? Do you want to read the last sentence there.

**Mr. Peterson:**

All right. So the story goes all over the Nation. These organizations are growing like wildfire. They are growing at the expense of private business with which they compete. They are a definite menace to these private ventures and their tax exemption is a material aid to them. Thank you for the 'extra time. (*Applause.*)

**Moderator Denny:**

All right. It's awfully hard to get these speakers away from the microphone, but we'll have to give Mr. Thatcher, our next speaker, about three quarters of a minute extra. Now we're to hear from a man who is at the storm center of this controversy, the general manager of the Nation's largest co-operative, the Farmer's Union Grade Terminal Association of St. Paul, Minnesota, Mr. W. M. Thatcher. Mr. Thatcher. (*Applause.*)

**Mr. Thatcher:**

Mr. Denny. Mr. Peterson mentioned two co-operatives under my direction. He also refers to some other farmer co-operatives. The answers to his questions are as follows: When co-operatives pay income taxes, that merely repre-

sents profits they have made from nonmember business and they should and do pay income taxes on such profits.

Another question is the case of the Farmer's Lumber and Supply Company. Mr. Peterson asks who

owns that permanent surplus of \$22,500, which is set aside, if the company doesn't? The answer is that all of that permanent surplus has been allocated as property to each individual member and he is required to pay income tax on it.

## THE SPEAKERS' COLUMN

**M. W. THATCHER**—Mr. Thatcher, born and reared in Valparaiso, Indiana, has been a public accountant and manager of a milling and grain business. For the past 30 years he has devoted all his time and talents to the building of both producer and consumer cooperatives. He has spent more than five years in Washington, D. C., lobbying for agriculture. Through his efforts the Commodities Exchange Act, the Crop Insurance Act, and other legislation for the benefit of farmers were passed. He is president of the National Federation of Grain Cooperatives (representing all regional cooperative grain marketing organizations); a member of the Board of the American National Bank of Saint Paul, Minnesota; a member of the Board of the Central Bank for Cooperatives at Washington, D.C.; and general manager of the Farmers Union Grain Terminal Association.

**WILLIAM S. HILL**—Republican Representative to Congress from Colorado, William S. Hill is a member of the House Agricultural and Small Business Committee which is investigating cooperatives. Born in Kelley, Kansas, in 1886, he attended Chillicothe Business College. While teaching in rural schools from 1905 to 1919, he attended Kansas State Normal School and Colorado Agricultural College during summer sessions.

From 1919 to 1923, Congressman Hill was a county agent in agricultural work. During the next four years, he engaged in real estate. Since 1927, he has been owner of Controll Standard Mercantile Company.

From 1924 to 1928, Congressman Hill was a member of the Colorado State Legislature. In 1939, he was secretary to Governor Carr of Colorado. In 1940 he was elected to the United States Congress and has served continuously since then.

**HORACE JERRY VOORHIS**—Born in Ottawa, Kansas, in 1901, Jerry Voorhis was graduated with an A.B. from Yale in 1923 and an M.A. from Claremont College, California, in 1928. At various times he worked as factory worker, freight handler, ranch hand, automobile

assembly plant worker, and traveling representative for the Y.M.C.A. in Germany. After one year as a teacher at the Alledale Farm School, Lake Villa, Illinois, he became the first director of Dray Cottage Episcopal Home for Boys in Laramie, Wyoming. From 1928 to 1938, he was headmaster and trustee of Voorhis School for Boys in San Dimas, California, and from 1930 to 1935 was a special lecturer at Pomona College. In 1934, he was a Democratic candidate for the California State Assembly. From 1937 until 1947, Mr. Voorhis was a Democratic Representative in the United States Congress.

Mr. Voorhis is now executive secretary of the Cooperative League of America. He is author of *Beyond Victory*, published in 1944.

**RIVERS PETERSON** — Mr. Peterson is managing director of the National Retail Hardware Association, Indianapolis, Ind., with which he has been identified since 1919. This organization comprises 37 State and Regional Retail Hardware Associations and some 22,000 individual retail hardware merchants throughout the country.

Mr. Peterson started his hardware career as stock boy in an Alabama wholesale hardware house. Before World War I, he was manager of a group of retail hardware stores in Indiana. For nearly 20 years, he was editor of *Hardware Retailer*.

Mr. Peterson has been in government affairs through more than 25 years of continual contact in Washington. He participated in the Congressional Joint Commission of Agricultural Inquiry following World War I.

During the NRA period of the 1930's, he was chairman of National Code Authority in Washington.

During World War II, individually and through the American Retail Federation and the Retailers National Council, he represented hardware retailing by constant contact with government agencies.

Mr. Peterson is author of *The Tax Exemption of Consumer Cooperatives*, a brochure published in 1946.



The reason the reserve was set up is that it is required by the law of Minnesota. Its only purpose is to protect the creditors of that co-operative in case it should run into financial difficulty.

Answering his question about various cooperatives, including our own which has had a very substantial growth in capital structure, the fact is this: The members of that cooperative were anxious to increase the capital structure, even though they are required to put that savings into their individual income tax return.

Now, as to this whole income tax debate. Anyone may start up a drug store, own it, and operate it. He must pay income tax on his profits. One, or two, or more, may run a drug store in partnership. In that case, each member of the partnership must pay income tax on his share of the profits.

As an aid to farmers, all of the states in the United States and the Federal Government have provided laws under which a great number of farmers may come together and enjoy the benefits of partnership on corporate bond. At the end of each year as provided by law, the savings of the year's business belong to the farmers who are members.

The cooperative must allocate, make refunds to each member, according to his share of the profits, and that member is required to pay income tax on all such refunds.

Similarly, thousands of small businessmen have organized co-operatives. Even in Mr. Peterson's own field of hardware, this occurs. Up in Minneapolis, Minn., there is a big cooperative called the Hall Hardware Company. Five hundred hardware dealers over the north-west are members of that cooperative. The Hall Hardware Company has for 20 years refunded the profits each year to the members of those hardware stores. Hall Hardware has never paid income taxes on those refunds, because the savings belong to the member hardware stores on Main Street, and the hardware stores pay the income taxes on those savings.

In the case of general corporations, which do not refund their profits to members or customers, the Congress of the United States says that such corporations must pay income taxes. They are operated for the profit of stockholders.

Now let's look at the record and see how much profit there is to the stockholders in the conduct of these general profit corporations. Also, let's look at the record and see how fast the cooperatives are driving them out of business.

During the last six years, those general private corporations collected from customers net profits of 128 billion dollars. Then those corporations still had left for their shareholders the sum of 59 billion dollars after having paid income taxes, and out of that 59 billion

dollars, they paid to their stockholders as dividends 27 billion dollars.

Then they still had left and put away in their corporation socks 32 billion dollars all in the last six years.

Now during the same six years, the farmer's cooperative marketing and buying associations put away in their sock for future use one-third of a billion dollars. Thus the increase of capital savings for the general corporations after dividends is 100 times greater than those of all farmer's cooperatives in the United States put together during the last six years.

All of the farmer's cooperatives in the United States have only seven-tenths as much net capital as one corporation — The General Motors.

Now as to the volume of business done by cooperatives. The cooperatives do less than four per cent of the Nation's business; that's total sales.

Both Democrats and Republicans in Congress for 25 years have supported legislation to encourage and protect cooperative marketing and buying in the hands of farmers. The last five Presidents of the United States have supported cooperatives, including Presidents Harding, Coolidge, and Hoover.

So in answer to tonight's question, "Are Cooperatives a Threat to Private Business?" look at the record, and the answer is "No."

Millions of farmers and thousands of business firms engage in cooperative enterprise, when it is a more efficient way of doing business. All business is threatened by competitive efficiency. They have been since this Nation was founded. Let us hope it always remains that way. (*Applause.*)

#### **Moderator Denny:**

Thank you. Well, I wish it were possible to get you gentlemen up here around the microphone, because I am sure we could have an exciting little discussion, but our time is up. Now while we get ready for our question period, I am sure that you, our listeners, will be interested in the following message.

#### **Announcer:**

You are listening to America's Town Meeting of the Air, brought to you by Town Hall and the American Broadcasting Company. For your convenience, we print each week the Town Meeting Bulletin, containing a complete transcript of tonight's discussion, including the questions and answers to follow. You may secure tonight's Town Meeting Bulletin by writing to Town Hall, New York 18, New York, enclosing 10 cents to cover the cost of printing and mailing.

If you would like to have this bulletin in the handy pocket-size come to you regularly each week,



enclose \$1 for 11 weeks, \$2.35 for six months, or \$4.50 for one year. Remember the address: Town Hall, New York 18, New York, and al-

low at least two weeks for delivery. Now for our question period, we return you to Mr. George V. Denny, Jr.

## QUESTIONS, PLEASE!

*Mr. Denny:* Now, here's where members of our audience have an opportunity to secure a \$210 set of the *Encyclopedia Americana*. If you ask a question which our committee of judges considers best for bringing out new facts and increasing our understanding of this subject, provided also that you limit your questions to 25 words, a 30-volume set of the *Encyclopedia Americana* will be on the way to you tomorrow. So make your questions good, stick to the subject, and limit them to 25 words. We'll start with the gentleman here.

*(Because of radio network difficulties the program was off the air for a very short period at this point.)*

*Man:* . . . . saying that this co-op set a goal of 100 million dollars in net worth as a minimum requirement to give his co-op control of marketing and distribution of all grain products in the Northwest. That would be monopoly under which consumers would be forced to pay prices fixed by this cooperative. In view of your statement, how can you defend Mr. Thatcher's monopoly scheme?

*Mr. Voorhis:* In the first place, I don't believe Mr. Thatcher has any monopoly scheme.

In the second place, I believe that Mr. Thatcher's great crime has been that through his cooperative he has enabled the farmers of the Northwest to receive back some of the margins they used to have to pay when their grain was marketed.

In the third place, I don't believe, and neither does any other cooperative, that any cooperative ought to engage in monopolistic practices, nor will any cooperative so do.

The purpose of the farm cooperative on the one hand is simply to enable the farmer to receive a somewhat larger share than he heretofore has of the consumer's dollar.

The purpose of the consumer's cooperative is simply to cut the cost of expense and living to the consumer of America by the savings that are possible.

Now, then, in further answer to Mr. McCabe's question, I believe that it's impossible to conceive of all the people as exercising a monopoly against all the people, or that it is even conceivable that all the farmers of the Northwest should become members of Mr. Thatcher's co-op.

An organization of that sort, where all the farmers were engaged in it, would be a cooperative which would inevitably be committed to the public interest, in my humble opinion. All the people together can't very well monopolize against all the people.

I come back to what I said in the beginning, which is that I believe that Mr. Thatcher has no notion of establishing a monopoly, that a monopoly in that field is quite impossible, and that I'm convinced that the influence of farm-marketing cooperatives, like Mr. Thatcher's, is to reduce the cost to the consumer and to increase the return to the farmer. I think that's very good for private business in America.

*Mr. Denny:* Thank you, Mr. Voorhis, but I think we'd better hear from the principal, he's right here on the stage. Mr. Thatcher, what are your monopolistic notions?

*Mr. Thatcher:* I want to answer Mr. Ben McCabe, and I'm sorry he didn't come on this debate, so we'd have him here on the platform, because I've been competing with him for a long time up there in the Northwest. I want to say, Mr. McCabe, that I've had so many statements made about what I said in that article that you used there and which I don't remember having read—I don't doubt your statement that that is the article at all—but I'm only sorry I didn't know that you were going to

bring such a question down here, so I could have brought down the electrical transcription of my speech that—I hope to have one here tonight so I won't be misquoted—so I could play to you just what I said. When we get home, I'll come over to your office, Ben, and bring the record and play it to you. (*Laughter and applause.*)

*Mr. Denny:* All right, Mr. McCabe, have you got anything you want to say now? We'll get you into this debate after all.

*Mr. McCabe:* I have a transcript here from this *Farmer's Union Herald*, which is published by Mr. Thatcher's organization. It was copied by our stenographer this afternoon, and I'll turn it over to him. (*Applause.*)

*Mr. Thatcher:* I don't want to evade any responsibility. Our co-op, amongst others, helps to finance that paper. What I do want to say is that I do have an electrical transcription of what I said, and when I get home, Ben, I'll play it for you. (*Laughter.*)

*Mr. Denny:* Thank you, Mr. Thatcher. Now, the gentleman over here with the red tie.

*Man:* Congressman Hill. Are not so-called low costs to the limited memberships of cooperatives primarily gained at the expense of the citizen taxpayers and regular business enterprises?

*Congressman Hill:* I didn't get the very first few words.

*Man:* Are not so-called low costs to the limited members. . .



*Congressman Hill:* Well, I think everybody is as mixed up by our opposition as I am. Just a moment ago, Jerry says, "farm co-ops," and I hold in my hand here a farm co-op, and I'll answer by reading something. I hold in my hand a suit that was filed by the Attorney General of Kansas. Now, I'm going to read just a minute and answer you quickly. I'll read fast, now, and you're supposed to pay attention. The rest of them, they can follow.

"The purposes of the Cooperative Marketing Act, in Kansas: In order to promote, foster, encourage the intelligent and orderly marketing of agricultural products through cooperation and to eliminate speculation and waste, and to make the distribution of agricultural products direct, as can be efficiently done between producer and consumer, and to stabilize the marketing problems of agricultural products, this Act is passed."

Now, the answer simply is this: These folks are not cooperatives in any sense of the word, when you talk about Mr. Thatcher's organization, the lawyers call it "quasi." That's what they call it. They're not true cooperatives at all. The only true cooperative is the farmer.

Now, listen to what these fellows have been doing up here in Kansas City. Let me read what they're doing.

*Mr. Denny:* Let's let Mr. Thatcher in on this.

*Congressman Hill:* I just want to read to this audience what this cooperative up there, the Consumers Cooperative Association is doing, and the reason why the Attorney General says, as Jerry admitted in the beginning, it wasn't true.

*Mr. Denny:* All right, Mr. Thatcher.

*Mr. Thatcher:* Mr. Hill, you may be a good Congressman, and I want to believe you are, but you aren't very much with the law. I went up against this sort of stuff. Mr. McCabe and others up there charged my organization for years with certain things. We finally got into the District Court and then into the State Supreme Court of Minnesota and on Valentine's Day we got a favorable decision, unanimously, from the Minnesota State Supreme Court, which outlines that we are a legitimate, honest, cooperative, and doing business as we should under the Minnesota laws. That's all there is to it.

*Mr. Denny:* All right. Mr. Hill has something else.

*Congressman Hill:* I just say that to you here who are looking over Mr. Thatcher, as we do now, I say, too, that if he went before the Supreme Court or the Supreme Court knew him, knew of his honesty and ability to organize and conduct a business, they wouldn't be afraid of him. I wouldn't either. I'd say, "Why, go right ahead

Brother Thatcher." But listen, look what this fellow's been doing.

Now, I don't know anything about this. He says, I don't know a thing about the law. I don't! I'm just an ordinary hardware merchant, have been for years, but I know how hard it is to collect my bills, and how hard it is to get any money ahead. If you don't believe it, ask the man that's in business down on the streets—small business.

Listen to what they're doing. Why it says up here, in 1946, they sold three billion gallons of motor oil to foreign countries—ten different foreign countries.

b. They entered into an exchange with all major and independent oil companies.

c. Own huge oil refineries in Coffeyville, Kansas. I'll not go into detail on that.

d. Own canning plants, lumber mills, printing plants, paint factories, and other industries.

e. Buy, own or hold extensive oil and gas stations, royalties and oil producing property.

f. Drills—I suppose it means oil drills—operates and produces approximately 450 oil wells, with annual oil runs of nearly one and three-fourths billion barrels. Owns and operates vast oil pipelines systems, auditing and managing services, and insurance agencies as well as many other businesses and industrial pursuits.

Now that's the thing I'm complaining about! If it were a co-op, it wouldn't be in all that line of business. It is nothing in the world but a big business corporation and as such, should pay its part of the taxes. (*Applause.*)

*Mr. Denny:* Mr. Voorhis.

*Mr. Voorhis:* The cooperatives pay taxes on income to that co-operative which would be income to anybody else. This action of the Attorney General of the State of Kansas against the Consumer's Cooperative Association shows the kind of motivation that is behind it when I tell you that he has called for the appointment of a receiver for a cooperative that has assets two and three quarters times its liabilities.

The only question involved is whether the Consumer's Cooperative Association should now operate under the Cooperative Societies' Act of the State of Kansas which it originally operated under or continue to operate under the Cooperative Marketing Act which it has been operating under since 1938.

The thing that makes people angry is that here are a group of farmers who actually have the temerity to own the sources of supply of the things that they use. True, some surpluses are produced, and, furthermore, when that oil has been shipped to cooperatives abroad, it has been shipped and patronage refunds have been paid to those foreign purchasers at the

rate of 10 per cent patronage refund.

I am enough interested in world peace to say that it is worth putting trade on that kind of basis if you can do it. I believe the future of our children is important enough so that if you can strike that sort of a blow for peace, it's worth striking. (*Applause.*)

*Mr. Denny:* Thank you, Mr. Voorhis. Mr. Peterson?

*Mr. Peterson:* Well, if everybody is going to talk about the Consumer's Cooperative Association of Kansas City, I want to put in my bit. It began business in 1929 with a capital of \$3,000. By escape of tax exemption, and by plowing back the earnings and giving the patrons paper instead of money, last year that organization distributed nearly 23,000 cars of gasoline, nearly 20,000,000 gallons of lubricating oil as only part of the more than 26 million dollars worth of business that it did and it paid no income tax. (*Applause.*)

*Mr. Denny:* Thank you. Let's hear from the gentleman right there on the aisle.

*Man:* Mr. Thatcher, what would happen to private business if all kinds of goods and services were furnished by cooperatives enjoying special privileges and tax exemptions.

*Mr. Thatcher:* If all the business in the United States were done cooperatively, then all income tax

would be paid by individuals directly, instead of indirectly, through the private corporations. As you well know, no corporation that pays income taxes ever paid a cent of income taxes unless it first included that in the invoice to the customer.

*Mr. Peterson:* I beg to differ. Income taxes are not considered as part of the cost of doing business, and are not included in the cost of doing business. (*Applause.*)

*Mr. Thatcher:* Well, I would like to have you explain to me then the phenomenon where they collected 128 billion dollars in profits in six years, paid 26 billion dollars in dividends, paid all of the income taxes and excess profit taxes, and still had 32 billion dollars left, to put in their socks. Explain that phenomenon.

*Mr. Peterson:* All right. I'm glad he brought up that 69 billion dollars that these corporations have to pay in taxes and that they only gave their stockholders 27 billions. I want to say to Mr. Thatcher and this audience that if the co-ops had been paying their share of taxes all of this time, these private corporations wouldn't have had to pay 69 billion dollars in taxes. (*Applause.*)

*Mr. Voorhis:* First, in answer to the gentleman's question, in the first place, if goods and services were so disturbed, the economic situation of the Nation would be so evenly balanced as between pro-



duction and consumption that the need for taxes would be less. The arrival of such a time is inconceivable, for the simple reason that not enough people are ready to take the trouble to form co-ops and be good co-op members. I wish they were, but they're not and they haven't been in any country.

The main point, however, about the tax question is twofold as far as I'm concerned. In the first place, I don't believe that business taxes ever have been a sound method of taxation. I don't believe they are now. I think that if all income would show up in the hands of individuals and be taxed to individuals, we'd have a better tax system anyway.

May I point this out: Every business in this Nation has its opportunity to choose whether that business is going to be conducted for the benefit of stockholders and choose to make money out of the people and to keep for itself, as happened in this instance, 27 billion dollars in six years, or whether that business is going to decide for the benefit of its members, for the benefit of its patrons, and for the benefit of all other business as well, that it will distribute all its earnings and savings back to the people and will, instead of retaining income for itself, plow these earnings back into the buying power of the people.

If you attempt to tax a co-operative on money which it is legally bound by its by-laws to pay to its people, you levy a penalty tax because a business is conducted on the basis of repaying those margins back to its patrons. Every business in America could be on that same basis today if it chose to so bind itself by its by-laws for the benefit of its patrons.

*Mr. Denny:* It looks like we're not going to have much of a question period here after all. Congressman Hill has gotten out of his chair now. All right, sir.

*Congressman Hill:* I just want to say this, if you will get the record and read what my friend Jerry Voorhis just said when he began his talk, you'll know what I meant a while ago when I said this cooperative plan they are advocating would lead you to communism. (*Applause.*)

*Mr. Denny:* Mr. Voorhis?

*Mr. Voorhis:* I'd like to know what Congressman Hill has in mind that I said.

*Mr. Denny:* Congressman Hill, what did you have in mind that Mr. Voorhis said that would lead to communism? That's his question to you.

*Congressman Hill:* Well, I had to make up my own mind as to what he was thinking between the lines when he said if all business was turned over to cooperatives and all the profits turned back to the people, who would take it all

over, there'd be no more private enterprise nor private property, or profits, either. I'm one of these Christian gentlemen as he claims he is—and I know he is; I believe he is—and I believe that the profit system is tied up with the fundamentals of Christianity.

*Mr. Voorhis:* But Mr. Hill said that I said that the cooperatives were aiming to take over the whole economy. I said no such thing. I explained to a gentleman there that the limit of cooperative development depended upon the number of people willing to take the trouble and that wasn't so very many people.

*Mr. Denny:* Thank you, Mr. Voorhis. Now, a question from a gentleman down here.

*Man:* Mr. Peterson. Is it true that hundreds of millions of dollars of the co-ops profits are withheld every year for expansion?

*Mr. Peterson:* Why, certainly. Ex-Congressman Voorhis talks about increasing the purchasing power by giving them back the savings. They give them common stock, or they give them a certificate of equity. They don't give them cash.

*Mr. Denny:* Thank you. All right, the gentleman in the balcony.

*Man:* When you speak about communism, the Swiss government doesn't even own a rowboat. They have never been in any war. They don't have any communism in

Switzerland, and it's full of co-operatives. Answer that. (*Applause.*)

*Congressman Hill:* My dear brother, you answered it yourself. The kind of cooperative you talk about, I believe in.

*Mr. Voorhis:* The kind of cooperative he's talking about is the very kind of cooperative I've been talking about all night. (*Applause.*) And the same thing that is true in Switzerland is also true of Scandinavia and of the most stable governments and the most democratic peoples in this whole world today.

*Congressman Hill:* There's no use to consider this further because you know as well as I do that we could not answer this question. There's just an honest difference of opinion. I don't believe a thing he has said but I don't want to deny that he believes it himself. (*Laughter.*) I'd like to have your questions.

*Mr. Denny:* All right, thank you, Congressman Hill. Now, while our speakers prepare their summaries of tonight's question, here is a message of interest to each of you.

*Announcer:* Every now and then someone writes into Town Hall along these lines, "Your program is good but it's too controversial. Why do you emphasize people's differences instead of their agreements?"

Well, we could give you lots of answers to this one. The first is

that you wouldn't listen. You wouldn't listen because the programs would be dull, because you'd know they were not honest.

You know as well as we do that we're living in the midst of a great world revolution. Conflicting ideas and ideologies are engaged in a world-wide struggle for supremacy. Like the ostrich, we could hide our heads in the sand, but if we want to deal with present-day conflicts honestly and constructively, what better way is there than the Town Meeting way?

The Town Meeting is the arch enemy of the mass meeting. The mass meeting tends to intensify conflict, by setting class against class, and group against group. The Town Meeting tends to resolve controversy by exposing both sides to honest discussion, and the public sense of fair play. Now, ladies and gentlemen, for the summaries of tonight's discussion, here again is Mr. Denny:

*Mr. Denny:* May we hear first from Mr. Thatcher.

*Mr. Thatcher:* Cooperatives provide some equality of opportunity for people to stay in business and to get a better break out of our national income. One may engage in business as an individual, or as a copartner, or as a member of a cooperative enterprise.

In all three instances, the profits or savings are taxable in the hands of the owners. They do not escape taxes.

No one could seriously believe

that cooperatives are communistic or tend to revolution because the property belongs to the members and the members want to keep it and they do not want to surrender it to a dictator or to give it to any government power.

Cooperatives are a competitive form of private business.

Cooperatives are exempt only so long as they distribute and allocate all of the profits or savings to the members each year so there is no money left to tax in the cooperatives' hands.

Third, the size of the cooperatives certainly is no threat because they do not conceivably do more than four per cent of the Nation's business. As we have demonstrated the total net worth of all the cooperatives combined in the United States is only 70 per cent of the net worth of one single corporation—General Motors.

Further, as we demonstrated from the records, the stockholders-profit corporations increased their net worth 100 times more than the cooperatives did in six years.

*Mr. Denny:* Now a final word from Mr. Rivers Peterson.

*Mr. Peterson:* I hope the presentation of Congressman Hill and I have convinced you that the ideology and the tax exempt status of cooperative corporations do constitute a menace to regular business.

As a final statement I wish to quote the words of Supreme Court Justice Frankfurter in a decision



where the State of New York was operating a business on which it attempted to escape the payment of taxes. Just as Frankfurter said, "You may carry out your own notions of social policy in engaging in what is called business. But you must pay your share in having a Nation which enables you to pursue your policy."

That is exactly the way we feel about cooperative corporations.

Mr. Denny: Thank you, Mr. Peterson, Mr. Voorhis, Congressman Hill, and Mr. Thatcher for an extremely valuable discussion on this question. Thanks also to our host Miss Helen Clarkson of the Tulsa Town Hall, and her able associates.

Well, neighbors, what do you think of this question? Are co-operatives a threat to private business? We'll welcome your opinions on this as well as our next week's program which is to be on the subject, "Does Our New Foreign Policy Lead to Peace or War?"

Moving over to Oklahoma City, we will hear from four distinguished authorities on this question: Mr. James Burnham, author of the sensational new book, *The Struggle for the World*; Senator Glen H. Taylor of Idaho; the Honorable Alf Landon, former governor of Kansas, and candidate of his party for president of the United States; and Max Lerner, chief editorial writer for the magazine *PM*.

Here's something you should remember to tell your friends. Next week we're going to ask you to participate in a nation-wide expression of opinion on next week's topic. After you've heard the discussion, write and tell us whether you think our new foreign policy leads to peace or war.

Only the votes of those who say they heard both sides of America's Town Meeting will be counted. This is not to be a scientific survey of the population but more important, an expression of those who heard both sides on America's Town Meeting. We'll announce the results May 1.

Here are the results of our committee of judges tonight. They have awarded a \$210 set of the *Encyclopedia Americana* to Mr. David Blue, geologist, for his question "Are not the so-called low costs of the limited members of cooperatives primarily gained at the expense of regular taxpayers and businessmen?" (*Applause.*)

Before we say goodnight, I want to assure our many listeners who wrote in protests to a statement by one of our speakers two weeks ago with respect to members of our merchant marine and some other organizations, that this and similar sweeping statements about organizations or groups are discouraged by Town Meeting and are made wholly on the responsibility of the individual who is making them.



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